

Preliminary Results Presentation

Year to 30 June 2014



Agenda



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- Chairman's Overview Steve Morgan
 - Financial Results Barbara Richmond
 - Review of Operations John Tutte
 - Summary and Outlook Steve Morgan

Overview – Record results



- Record pre-tax profits of £132.6m up 91%
- Record turnover of £864.5m up 43%
- ROCE up from 12.2% to 18.0%
- Private ASP up 19% to £269,600
- c.6,100 plots added to current landbank



Financials

Barbara Richmond – Group Finance Director

Financial Highlights



- Private homes revenue up 42% to £799m
- Operating margin 15.9% (2013: 12.1%)
- Underlying EPS up 83% to 28.6p
- Final dividend proposed of 2p (2013: 1p)
- Gearing 24.8% (June 2013: 14.9%)
- ROE up from 12.3% to 20.5%

Income Statement



£m	FY 2014	FY 2013*	Variance
Revenue	864.5	604.8	259.7
Gross profit	187.5	113.6	73.9
Operating expenses	(50.0)	(40.4)	(9.6)
Pre-exceptional operating profit	137.5	73.2	64.3
Exceptional costs	–	(1.5)	1.5
Operating profit	137.5	71.7	65.8
Share of results of Joint Ventures	2.8	3.3	(0.5)
Interest	(7.7)	(5.6)	(2.1)
Profit before tax	132.6	69.4	63.2

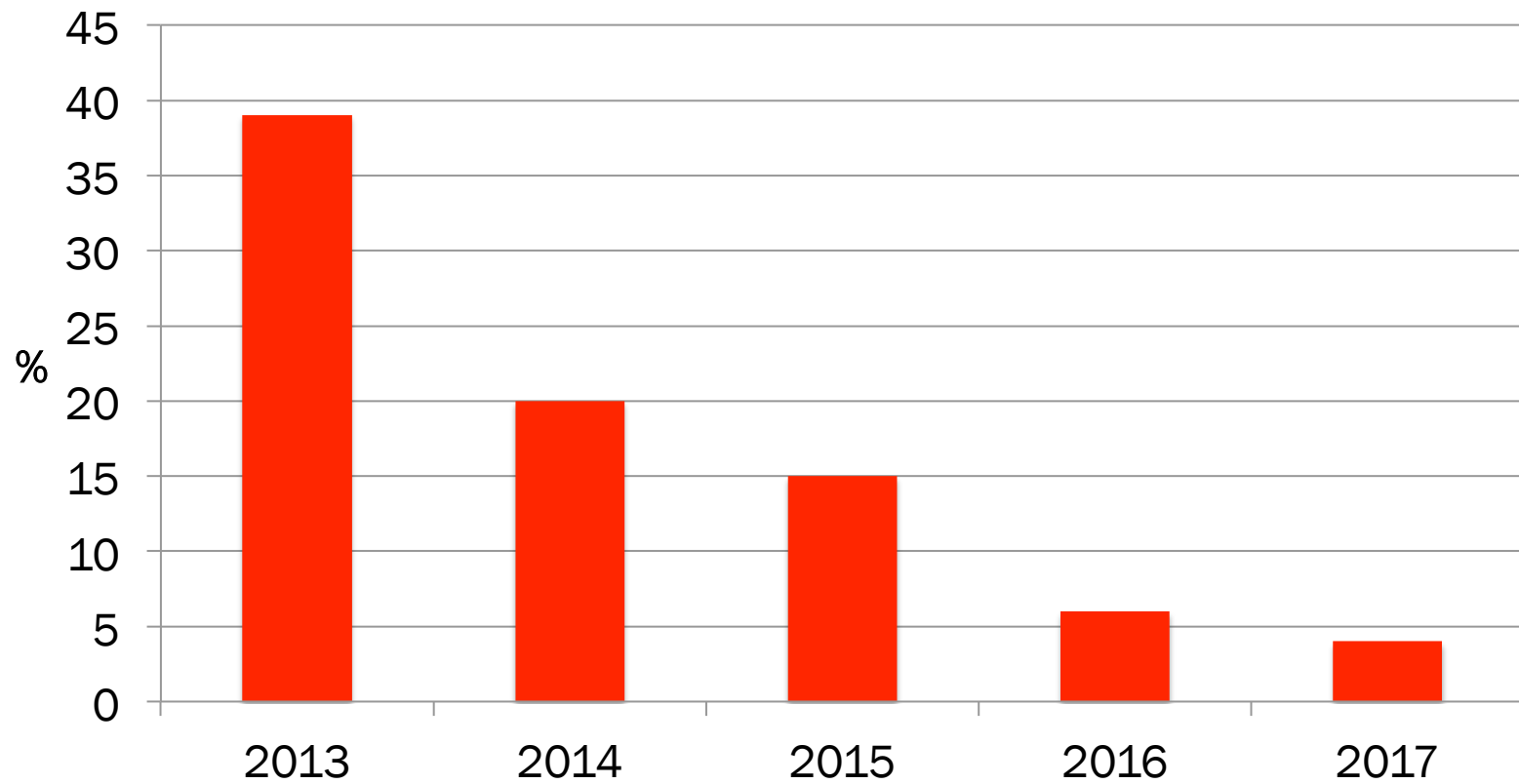
*FY2013 results have been restated to reflect the application of IAS 19R - Employment Benefits

Analysis of private plots in Cost of Sales

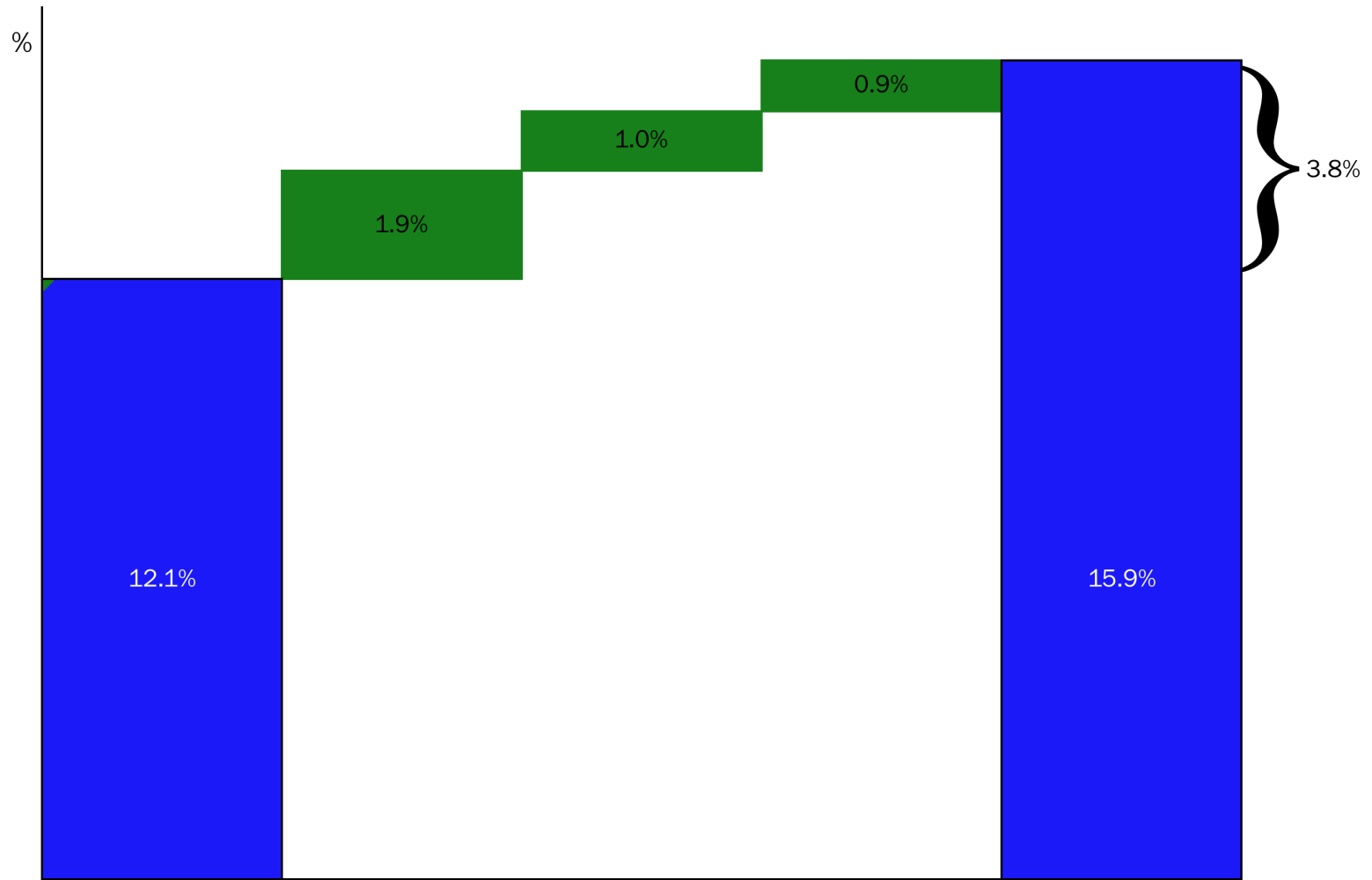


	FY 2014	FY 2013
Average plot cost eliminated (£k)	60	50
Average plot cost as percentage of ASP	22	22
Percentage of eliminated plots with NRV provision	20	39

Percentage of provisioned plots in Cost of Sales



Operating Margin Bridge*



*pre-exceptional

Turnover Analysis



- Record Homes Revenue of £861.4m up 44%
- London contributed £116m of private Revenue and £124m of total Homes Revenue
- Private ASP up 19% to £269,600
- Social Homes were 18% of total volume (2013: 12%)

	Revenue (£m)				Volume				ASP (£k)			
	FY 14	FY 13	Var	% Var	FY 14	FY 13	Var	% Var	FY 14	FY 13	Var	% Var
Private Regional	682.9	550.7	132.2	24	2,740	2,457	283	12	249.2	224.1	25.1	11
London	115.9	11.7	104.2	891	223	17	206	1,211	519.7	688.2	(168.5)	(24)
Total Private	798.8	562.4	236.4	42	2,963	2,474	489	20	269.6	227.3	42.3	19
Social	62.6	37.8	24.8	66	634	353	281	80	98.8	107.3	(8.5)	(8)
Total Homes	861.4	600.2	261.2	44	3,597	2,827	770	27	239.5	212.3	27.2	13

Private Turnover Analysis



- Heritage Collection 77% of private turnover in 2014 (2013: 85%)
- Heritage Collection ASP up 11% to £257,300
- Help to Buy legal completions of 1,023 (2013: 82)
- London private completions of 223 (2013: 17)

	Turnover (£m)		
	FY 14	FY 13	Var
Heritage	613.1	478.6	134.5
Bespoke	69.8	72.1	(2.3)
London	115.9	11.7	104.2
Private Total	798.8	562.4	236.4

	Volume		
	FY 14	FY 13	Var
Heritage	2,383	2,066	317
Bespoke	357	391	(34)
London	223	17	206
Private Total	2,963	2,474	489

	ASP (£k)		
	FY 14	FY 13	Var
Heritage	257.3	231.7	25.6
Bespoke	195.5	184.4	11.1
London	519.7	688.2	(168.5)
Private Total	269.6	227.3	42.3

Sales by Geography



- Total Group revenue up 43%
- Strong revenue growth in all Regions
- South of England now represents over 50% of Group revenue

	FY 2014		FY 2013	
	£m	%	£m	%
North	221.4	26	191.2	31
Central	190.9	22	167.7	28
South	452.2	52	245.9	41
	864.5	100	604.8	100



Cash Flow



	FY 2014 £m	FY 2013 £m		FY 2014 £m	FY 2013 £m
Operating cash flow			Net debt movement		
EBITDA	138.6	72.9	Operating cash flow	(74.5)	(75.3)
(Increase) in land	(161.8)	(70.0)	Interest	(8.3)	(3.2)
Movement in land creditors	34.1	16.0	Dividend	(7.4)	–
Net (investment) in land	(127.7)	(54.0)	Disposals	9.5	8.0
Movement in WIP	(76.1)	(77.8)	Shares (acquired) / Issued & Other	(0.9)	(6.5)
Movement in NRV	(23.8)	(39.5)	Net cash flow	(81.6)	(77.0)
Other working capital movements	14.5	23.1	Opening net debt	(91.0)	(14.0)
Operating cash flow	(74.5)	(75.3)	Closing net debt	(172.6)	(91.0)
			Gearing	24.8%	14.9%

Banking



- Increased committed facilities to meet medium term needs
 - £365m vs £250m previously
 - Same bank group
 - No other significant changes

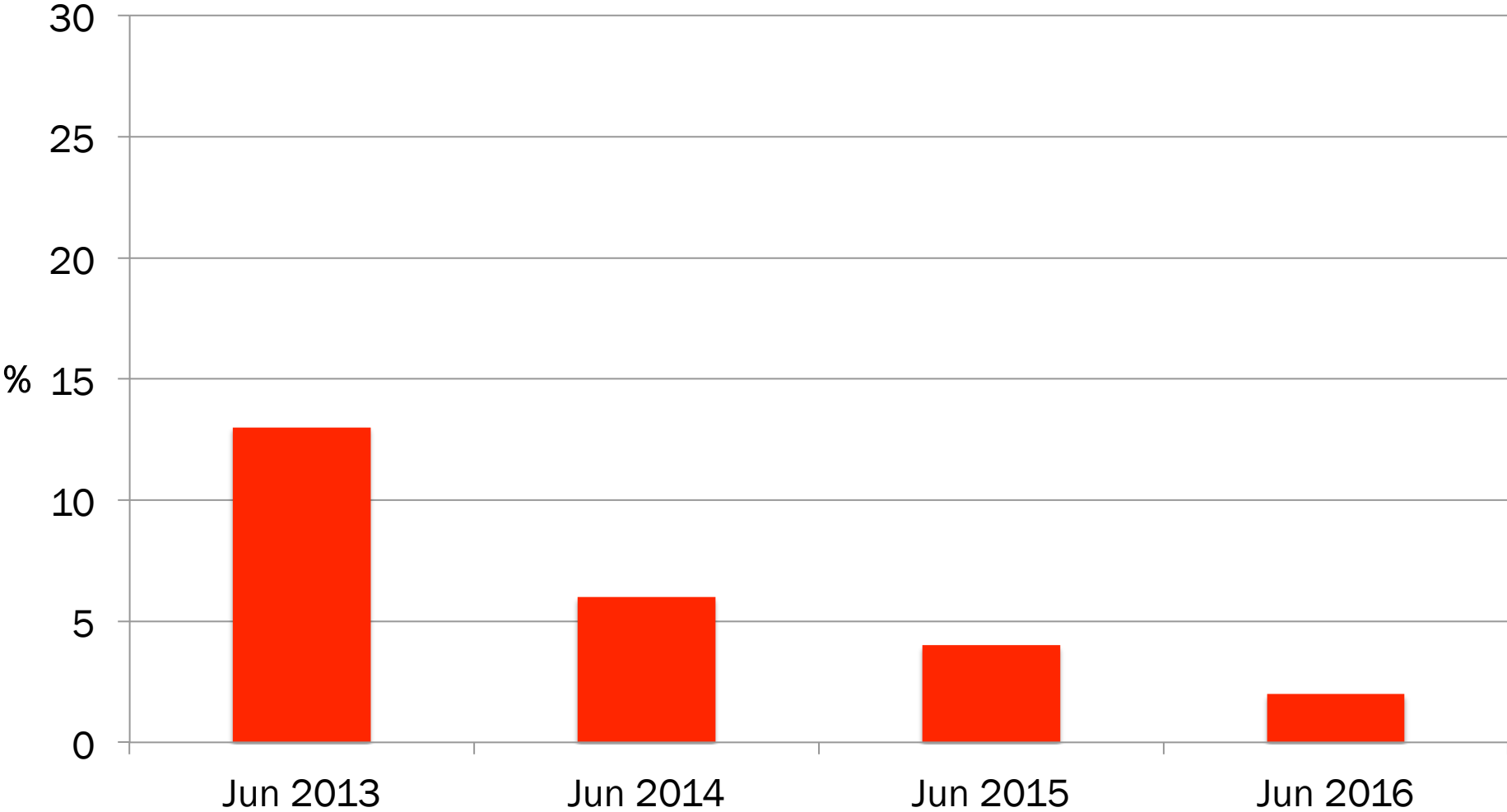


Net Assets

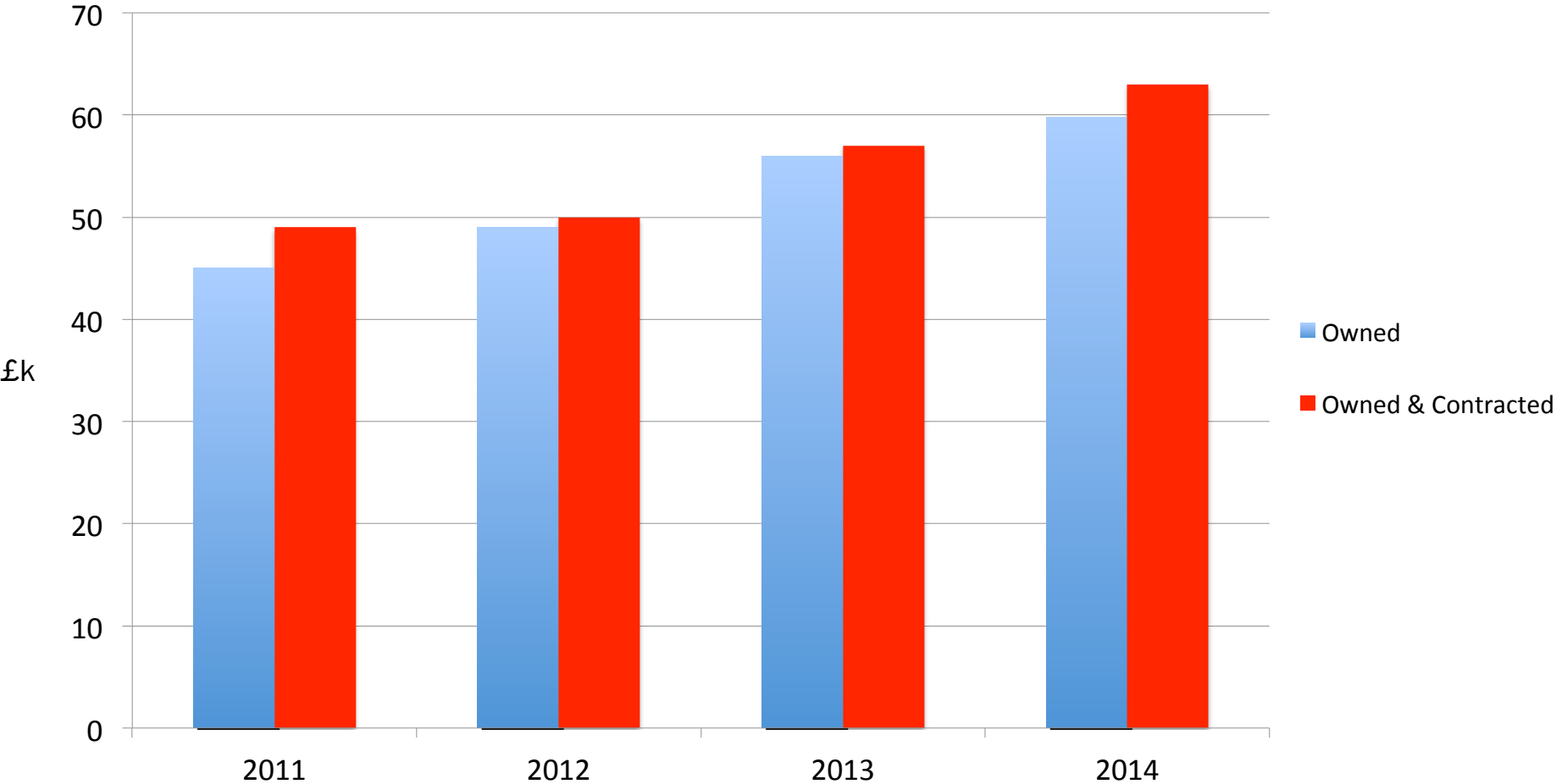


£m	Jun 14	Jun 13	Movement
Land (Gross)	835.9	674.1	161.8
WIP (Gross)	369.5	293.4	76.1
NRV Provision	(48.2)	(72.0)	23.8
Land creditors	(158.4)	(124.3)	(34.1)
Net investment in inventory	998.8	771.2	227.6
Payables, Receivables and other	(161.3)	(132.7)	(28.6)
Tax	7.0	35.3	(28.3)
Fixed Assets	23.8	26.4	(2.6)
Capital Employed	868.3	700.2	168.1
Net debt	(172.6)	(91.0)	(81.6)
Net Assets	695.7	609.2	86.5

Percentage of Provisioned Plots in Landbank



Plot Cost Carried Forward



Review of Operations

John Tutte – Group Chief Executive

Divisions and Subsidiaries



North

Yorkshire
Lancashire
NW

Central

Midlands
South Wales

South

South Midlands
South East
Southern Counties (new 2014)
South West
West Country (new 2015)

London

Harrow Estates



Land and Planning

Movement in Current Land Holdings



	Plots owned	Contracted plots	Total
At 1 July 2013	12,109	2,053	14,162
Legal completions	(3,597)	–	(3,597)
Market additions	2,881	1,072	3,953
Forward land pull through	2,139	–	2,139
Transfers	858	(858)	–
Other (land sales and replans)	(18)	85	67
At 30 June 2014	<u>14,372</u>	<u>2,352</u>	<u>16,724</u>
Regions	14,076	2,135	16,211
London	296	217	513
	<u>14,372</u>	<u>2,352</u>	<u>16,724</u>
GDV (@ 2014 ASP)			c.£4.0bn

Land and Planning

Movement in Forward Land Holdings



	Total Plots	
At 1 July 2013	26,024	
Additions	5,313	
Transfers to current land	(2,139)	
Strategic review	(953)	
At 30 June 2014	28,245	
Analysis	Jun 14	Jun 13
Land owned without planning	2,878	2,122
Land contracted without planning	2,564	-
Options – allocations	12,927	12,595
– realistic prospect	9,876	11,307
	28,245	26,024

Land and Planning

Land Holdings by Geography



	Jun 14			
	Current Land	%	Forward Land	%
North	4,639	28	15,485	55
Central	3,118	18	3,543	13
South	8,454	51	6,600	23
London	513	3	2,617	9
	16,724	100	28,245	100

	Jun 13			
	Current Land	%	Forward Land	%
	3,473	25	14,570	56
	3,309	23	5,013	19
	6,652	47	6,441	25
	728	5	–	–
	14,162	100	26,024	100

Outlets



	2014 Actual	
	H1	H2
Open	15	29
Close	12	21
Active outlets	95	103

	2015 Planned	
	H1	H2
Open	20	30
Close	19	19
Active outlets	104	115

Operational Highlights



- **People**

- 1,346 directly employed:
over 230 new jobs
- 84 Apprentices
- 15% trainees



- **Customer Service**

- 5 Star Award HBF 2014 Survey
- 93% Recommend
- My Redrow sales £6m



Build Cost Increases



- Materials
 - Bricks
 - Timber
 - Roof tiles
- Labour
 - Groundworkers
 - Bricklayers
 - Plasterers



Product



- Heritage Collection
- Regent Collection
- Abode



London



- Current developments – 94% sold

- One Commercial Street
- Kingston Riverside
- Kingston River Walk

- Holland Park
- Amberley Waterfront
- Connaught Place W2



London



- New sites

- Northway House
- Fann Street
- Harrow Road
- Colindale

- Increased focus on outer London
- Smaller sites in Central London



Colindale (NW9)



- Planning application submitted
- c.2,600 homes
- Commercial space
- School
- Public realm



Harrow Estates



Option Sites

Joint Venture

- £2.8m of post-tax profit from land sale (2013: £3.3m)

Planning

- Hartford (2 sites)
- Woodford



Woodford Garden Village, Cheshire



- Gross area 500 acres
- Net developable area 100 acres
- Resolution to grant planning
 - 920 new homes (145 detailed consent)
 - 90,000 sq ft commercial development
 - 20,000 sq ft village centre
 - 75 acres of open space and recreational areas



Sales Market



FY

Value of private reservations

Private reservations per outlet per week

Closing private order book

Cancellation rate

2014

£1,021m

0.70

£482m

13%

2013

£668m

0.62

£260m

16%

Private Reservation statistics from 1/7 to 29/8

Value of net reservations

Reservations per outlet per week

Average number of outlets

2015

£163m

0.64

99

2014

£201m

0.88

94

Summary and Outlook



- Market stable – return to normal seasonality
- Help to Buy continues to deliver economic growth and jobs
- Planning policy more favourable
- Outlook

